

| | 22-Oct | 29-Oct | Change | | 22-Oct | 29-Oct | Change |
|---------------------------|---------|-----------|----------|------------------------|---------|---------|----------|
| BIST-100 Index | 1,480 | 1,522* | 2.8 % ▲ | EUR/USD | 1.1647 | 1.1561 | -0.7 % ▼ |
| TRY 2 Year Benchmark Rate | 18.37 % | 18,37 %** | 0 bp ● | USD/TRY | 9.5757 | 9.6030 | 0.3 % ▲ |
| Turkey 5-Year CDS Premium | 460 | 448 | -12 bp ▼ | EUR/TRY | 11.1766 | 11.1060 | -0.6 % ▼ |
| MSCI EM Equity Index | 1,293 | 1,265 | -2.2 % ▼ | Gold (USD/ounce) | 1,792 | 1,783 | -0.5 % ▼ |
| US 10-Year Bond Rate | 1.64 % | 1.56 % | -8 bp ▼ | Brent Oil (USD/barrel) | 85.5 | 84.4 | -1.3 % ▼ |

bp: basis point

(*) 28 October Data, (**) 27 October Data

Last week, while concerns that inflation would increase due to supply chain problems caused volatility to rise in global markets, the decisions taken by major central banks were closely monitored. In the US, the growth data for the third quarter indicated that the increase in supply problems and delta variant cases limited economic growth. In the Euro Area, GDP grew above expectations in the third quarter, while consumer prices continued to increase rapidly in October. In Turkey, CBRT released the last Inflation Report of the year on Thursday. Confidence indices and manufacturing industry PMI decreased in October. This week, in addition to the global PMI data for October, the Fed meeting and non-farm payroll data in the US come to the fore on the agenda of global markets. In Turkey, inflation data for October will be followed closely.

Central banks' decisions are followed closely.

In line with the concerns that inflation will increase due to supply chain problems around the world, the decisions of central banks are followed closely. While ECB did not change the interest rate in line with market expectations at its meeting last week, it kept the Pandemic Asset Purchase Program (PEPP) at the level of EUR 1.85 trillion. The text of the decision repeated that the program will continue until March 2022 at the earliest. On the other hand, the Bank of Canada put an end to quantitative easing and signaled that it may hike interest rates by April 2022, sooner than expected. Highlighting the difficulties in the post-pandemic recovery due to supply problems and the increase in Covid-19 cases, the Bank of Japan did not change its asset purchase program and interest rates in line with expectations. In Brazil, the Central Bank increased interest rates by 150 bps drawing attention to the risk that the erosion in the public finances would raise the inflation rate above the target level. The Bank signaled that it may raise interest rates further in December.

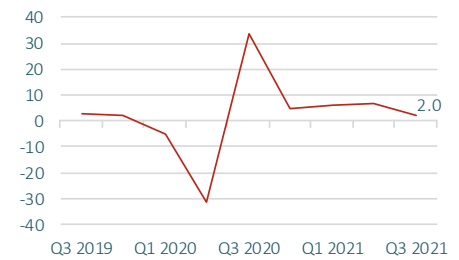
Supply problems have limited economic growth in the US.

In the US, the growth data for the third quarter showed that the increase in supply problems and delta variant cases limited economic growth. According to preliminary data, the US economy grew by 2.0% on an annualized basis in the third quarter of the year, below the expectations of 2.7%. Consumer confidence, which has been falling for the third consecutive month, rose to 113.8 in October, exceeding expectations. New house sales, which decreased by 1.4% mom in August, exceeded the market expectations and went up by 14% to 800K units in September. Capital goods orders rose for the 7th consecutive month in September, while durable goods orders fell by 0.4% due to supply shortages. On the other hand, the announced weekly jobless claims were realized below the market expectations with 281K people in the week ending October 23, pointing out that the recovery in the labor market in the country continues.

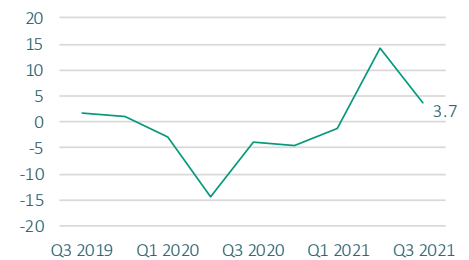
The rise in inflation in the Euro Area continued in October.

Euro Area economy grew by 3.7% in the third quarter compared to the same period of last year, above expectations. On the other hand, the rise in inflation in the region continued in October. In this period, CPI increased by 0.8% mom and by 4.1% yoy. The market expectation was that the annual rise in CPI would be 3.7%. The effect of the annual increase in energy prices up to 25% stands out in the inflation in the region.

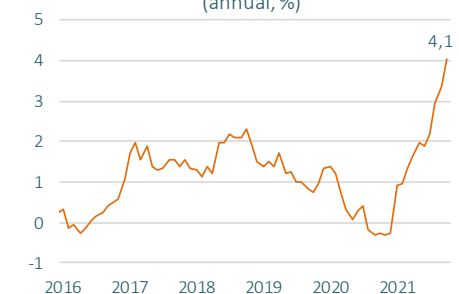
US Economic Growth
(sa, annualized, %)



Euro Area Economic Growth
(quarterly, yoy, %)



Euro Area Consumer Inflation
(annual, %)



Source: Datastream

The CBRT raised its inflation forecasts in the last Inflation Report of the year.

The CBRT released the last Inflation Report of the year on Thursday. In the report, the 2021 year-end inflation forecast was increased from 14.1% to 18.4%. The inflation forecast for 2022 was also revised from 7.8% to 11.8%. The rise in food and import prices as well as the output gap update was effective in raising inflation forecasts. In this context, the CBRT raised its food inflation forecast for 2021 from 15% to 23.4%, and its forecast for average oil prices from 69.6 to 70.8. In his presentation on the report, CBRT President Kavcıoğlu stated that Turkey was positively affected by the change in global supply chains during the pandemic, and the investment appetite in the real sector increased. Stating that they act with a selective approach in monetary policy with the aim of preventing the slowdown in commercial loans without causing monetary expansion, Kavcıoğlu pointed out that the improvement to be achieved in the current account balance within this framework would ensure financial stability and price stability.

Confidence indices declined in October in Turkey.

The economic confidence index, which was 102.4 in September, decreased by 1% to 101.4 in October, but remained above the 100 threshold. In this period, consumer confidence index decreased by 3.6% to 76.8, and real sector confidence index declined by 1.8% to 111.3.

Manufacturing PMI became 51.2 in October.

In October, the manufacturing PMI came in at 51.2 and exceeded the threshold for the 5th month in a row, but fell below the September reading of 52.5. Signs of slowdown in the sector came to the fore especially in data on production and new orders. According to the Istanbul Chamber of Industry, difficulties in the supply of inputs and increased fluctuations in exchange rates limited the activity, while production volume decreased for the first time in the last five months. Said developments caused new orders to slow down, albeit at a moderate level.

Tourism revenues rose rapidly in the Q3.

According to TURKSTAT, tourism revenues increased by 181.8% yoy in the third quarter of the year and reached 11.4 billion USD. Thus, the highest quarterly tourism revenues of the pandemic period were achieved. 78% of the tourism revenues came from foreign visitors and 22% from citizens residing abroad. In this period, the number of foreign visitors to Turkey went up by 139.5% yoy to approximately 11.9 million, while the visitors average expenditures was recorded as 835 USD.

Financial markets...

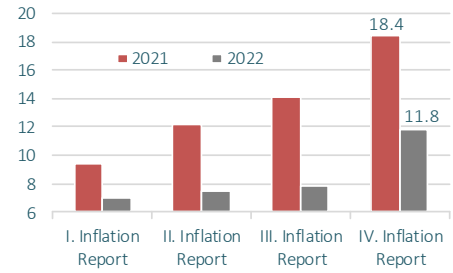
Last week, concerns that global economic growth will slow down due to the tightening steps of various central banks, as well as the supply chain disruptions, caused market volatility to increase. Especially the emerging country stock markets followed a downward course throughout the week. The 10-year US Treasury bond yield fell by 8 bps wov to 1.56%.

When the domestic markets were closed on Friday due to the October 29 public holiday, the BIST-100 index diverged positively from its peers last week. The index ended Thursday at 1,522 points, with a weekly increase of 2.8%. After the historic highs seen at the previous weekend, USD/TRY parity followed a fluctuating course last week, due to geopolitical developments and closed the week at 9.60.

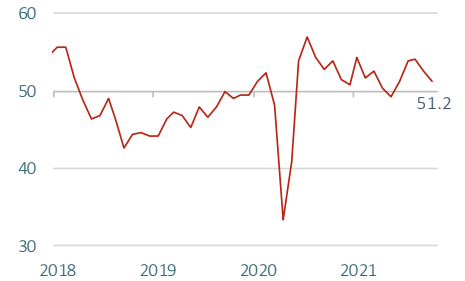
This week's agenda...

This week, October readings of global PMI data along with non-farm payrolls data in the US and Fed's meeting to be held on Wednesday stand out in global markets' agenda. In domestic markets, inflation data for October will be closely monitored. In addition, the Treasury cash balance for October will be followed on Friday.

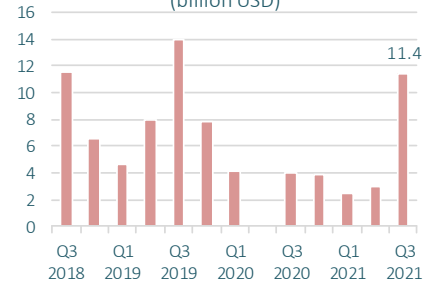
CBRT Year-end Inflation Forecasts
(2021 reports, %)



Manufacturing PMI
(threshold=50)



Tourism Revenue
(billion USD)



Emerging Markets Stock Index and BIST-100



Source: Datastream, CBRT, TurkStat

Data Releases

| | | Period | Consensus | Prior |
|-------------------|---------------------------------------|-----------|-----------|-------------------|
| 1 November | TR Manufacturing PMI | October | 51.2 (A) | 52.5 |
| | USA Manufacturing PMI, final | October | - | 59.2 |
| | USA ISM Manufacturing PMI | October | 60.5 | 61.1 |
| | China Caixin Manufacturing PMI, final | October | 50.6 (A) | 50.0 |
| 2 November | Euro Area Manufacturing PMI, final | October | 58.5 | 58.5 |
| 3 November | TR CPI Inflation, yoy | October | - | 19.58% |
| | TR D-PPI Inflation, yoy | October | - | 43.96% |
| | USA Services PMI, final | October | - | 58.2 |
| | Fed Meeting | November | - | - |
| | Euro Area Unemployment Rate | September | 7.4% | 7.5% |
| 4 November | Euro Area Services PMI, final | October | 54.7 | 54.7 |
| 5 November | TR Treasury Cash Balance | October | - | -32.9 billion TRY |
| | USA Unemployment Rate | October | 4.7% | 4.8% |
| | USA Nonfarm Payrolls | October | 413K | 194K |
| | Euro Area Retail Sales, mom | September | 0.2% | 0.3% |

(A) Actual

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